

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Dutton Analyst: Norman Catelli Bill Number: AB 1270

Related Bills: See Prior Analysis Telephone: 845-5117 Amended Date: January 5, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Manufacturers' Investment Credit/Extend to Electric Power Generation

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED
February 21, 2003. STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would:

- Reinstate indefinitely the Manufacturers' Investment Credit (MIC), which sunset by its own terms on January 1, 2004,
- Increase the credit rate from 6% to 8%, and
- Extend the MIC to activities related to electric services (power generation, transmission, or distribution).

This analysis addresses only those provisions of the bill affecting the Franchise Tax Board (FTB).

SUMMARY OF AMENDMENTS

The proposed amendments would:

- Reinstate indefinitely the MIC,
- Increase the credit rate from 6% to 8%, and
- Make several non-substantive technical changes.

Except for these items, the department's analysis of the bill as introduced February 21, 2003, still applies.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Jana Howard for Brian Putler 1/7/04

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and by the specific terms of the bill, would be operative for taxable years beginning on or after January 1, 2004.

POSITION

Pending.

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue impact from this bill is as follows:

Estimated Revenue Impact For Investments Put In Place After January 1, 2004 Assumed Enactment After June 30, 2004 (In Millions)		
2004-05	2005-06	2006-07
-\$360	-\$395	-\$475

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

Revenue Discussion

The revenue losses above reflect changed circumstances from the February 21, 2003, analysis of the bill as well as the amendments to the bill.

The principal variance results from changing the assumption that the MIC would not sunset, to reflecting the fact that the MIC did sunset on January 1, 2004, and that this amendment therefore reflects current law with no MIC and the revenue loss of reinstating a MIC. The increase in the credit amount from 6% to 8% is also a significant cause of the increased revenue loss. Updating the micro simulation model of corporate tax returns and utilizing more current departmental data regarding actual credit usage had a minor impact on the revised revenue forecast.

POLICY CONCERNS

This bill does not contain a sunset date. Sunset dates generally are provided in tax incentive bills (credits, special deductions) to allow periodic review by the Legislature.

LEGISLATIVE STAFF CONTACT

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